

BOYNE CITY HOUSING COMMISSION
BOYNE CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Boyne City Housing Commission	County Charlevoix
Fiscal Year End September 30, 2006	Opinion Date March 30, 2007	Date Audit Report Submitted to State May 12, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

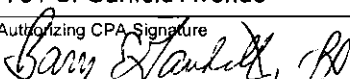
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Report on Compliance and Internal Controls	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC		Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA, PC	License Number 11050

BOYNE CITY HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Boyne City Housing Commission
Boyne City, Michigan

I have audited the accompanying financial statements of the business-type activities of the Boyne City Housing Commission, Michigan, a component unit of the City of Boyne City, as of and for the year ended September 30, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Boyne City Housing Commission, Michigan, as of September 30, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boyne City Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated March 30, 2007, on my consideration of Boyne City Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 6, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Boyne City Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Housing Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sandy E. Taulbert, CPA, PC

March 30, 2007

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
September 30, 2006
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The Boyne City Housing Commission, created in 1967, by the City of Boyne City provides housing to meet the community's needs for affordable low-income housing. As management of the Housing Commission, we offer readers this narrative overview and analysis of the financial activities of the Housing Commission for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the Housing Commission's financial statements.

Financial Highlights

The financial statements for Boyne City Housing Commission consists of five programs. The first is owned housing, consisting of 79 units of public housing, the second is the capital funding program, the third is Housing Choice Voucher Program, consisting of subsidies for 60 qualifying low-income residents for rental housing, the fourth is the Business Activities Fund that consists of two mortgages secured by vacant land and the fifth includes an existing program the Housing Commission took over from the former Charlevoix-Emmet Housing Coalition.

Boyne City Housing Commission had total revenues of \$685,816 that includes \$208,908 in rental payments and \$475,193 in federal assistance. Total revenues decreased by \$74,462, in part, because revenues from tenant rents decreased by \$3,974, HUD grants decreased by \$47,374, and government grants for the Business Activities Fund ceased by \$22,289 from the prior year. Total operating expenses were \$766,266, that includes \$141,653 in administrative expenses, \$171,838 in maintenance expenses, \$205,716 in housing assistance payments, and \$133,698 in depreciation expense. The operating expenses decreased by \$159,827, in part, because of decreases in the wages and fringe benefits by \$118,381.

The assets of the Housing Commission exceeded its liabilities at the close of the most recent fiscal year by \$1,823,705. The Housing Commission's total net assets decreased by \$80,450 compared to the prior year. The decrease can be attributed, in part, to the depreciation expense of \$133,698 compared to no capital outlays.

The assets of the Housing Commission were \$2,132,722 and also, there was \$154,275 of current assets and \$111,004 in current liabilities. There was a net decrease in total assets of \$129,612 from the prior year. The decrease is due, in part, because of the depreciation expense of \$133,698 and no capital outlays to increase assets. The Housing Commission's overall financial condition has improved from the prior year.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)

September 30, 2006

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Financial Highlights

The financial position of the Housing Commission significantly improved in 2005-2006 Fiscal Year. Due to several factors the Housing Commission was able to move out of the designation of troubled to standard performer. Mitigating factors included not having an Executive Director between January and September 2006; one staff member voluntarily taking reduced working hours; not replacing one maintenance position; and hiring a temporary part time person late in the year. Other factors included limiting capital expenditures to as needed only, reducing employee health insurance benefit costs, and relying heavily on no cost work release labor.

No aggressive and costly capital improvements were started or completed in 2005-2006. Cash resources were used to rebuild the cash reserves required by HUD and the Security Deposits. Past loans are still held by two local banks. In 2006-2007 the majority of the CFP will be spent on operations. Capital expenditures include one laptop computer and power point, coin operated washers and dryers, a sewer auger, leaf blower, hot water heaters, ranges and refrigerators as needed, truck and tractor repair and security and efficiency improvements for the office. Anticipated capital expenditures total approximately \$16,000.

Additional administrative actions taken in late 2006 will continue to positively impact the Housing Commission for years to come. Employee benefit cuts and loss of high cost employees have freed up approximately \$50,000 a year to use in operations. Changes in the Personnel Policy have resulted in time cost savings. The Operating Budget had been moved out of Low Rent, thereby lowering expenses and cash reserve requirements. In addition, one employee was laid off; employee time allocations have been more fairly aligned with units owned and/or managed; employees lost through attrition have been replaced with less costly employees; several high cost contracted services have been taken in house; and a goal of faster turnovers has been met. No cost washer and dryers in Litzenberger Apartments have been replaced with coin operated machines. This measure is expected to lower utility costs and earn additional revenue. Other measures are being analyzed to determine feasibility.

Questions and comments regarding this Management Discussion and Analysis may be directed to:

Shiela Smith, Executive Director
Boyne City, Michigan 49712

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)

September 30, 2006

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Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- * Statement of Net Assets - reports on the Housing Commission's current financial resources with capital and other assets and other liabilities.
- * Statement of Revenues, Expenses and Changes in Fund Net Net Assets the Housing Commission's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- * Statement of Cash Flows - reports the Housing Commission's cash flows from operating, investing, capital, and non-capital activities.

Financial Analysis of the Housing Commission

The following statement of net assets shows a summary of changes for the years ended September 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current assets	\$ 154,275	\$ 150,189	\$ 4,086
Capital assets	<u>1,978,447</u>	<u>2,112,145</u>	<u>(133,698)</u>
Total assets	<u>\$2,132,722</u>	<u>\$2,262,334</u>	<u>\$ (129,612)</u>
Current liabilities	\$ 111,004	\$ 129,163	\$ (18,159)
Noncurrent liabilities	<u>198,013</u>	<u>229,016</u>	<u>(31,003)</u>
Total liabilities	<u>309,017</u>	<u>358,179</u>	<u>(49,162)</u>
Net assets:			
Invested in capital assets	1,799,398	1,921,636	(122,238)
Unrestricted net assets	<u>24,307</u>	<u>(17,481)</u>	<u>41,788</u>
Total net assets	<u>1,823,705</u>	<u>1,904,155</u>	<u>(80,450)</u>
Total liabilities and net assets	<u>\$2,132,722</u>	<u>\$2,262,334</u>	<u>\$ (129,612)</u>

BOYNE CITY HOUSING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
(CONTINUED)

September 30, 2006

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Financial Analysis of the Housing Commission (continued)

The following table summarizes the Statement of Revenues, Expenses and Changes in Fund Net Assets of the Housing Commission for the years ended September 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Operating revenues:			
Dwelling rent	\$ 208,908	\$ 212,882	\$(3,974)
.....Total operating revenues	<u>208,908</u>	<u>212,882</u>	<u>(3,974)</u>
Operating expenses:			
Administration	141,653	263,739	(122,086)
Tenant services	1,665	4,504	(2,839)
Utilities	53,616	49,745	3,871
Ordinary maintenance and operation	171,838	202,408	(30,570)
General expenses	51,661	63,149	(11,488)
Extraordinary maintenance	6,316	4,536	1,780
Casualty losses	103	(7,743)	7,846
Housing assistance payments	205,716	211,043	(5,327)
Depreciation	<u>133,698</u>	<u>134,712</u>	<u>(1,014)</u>
Total operating expenses	<u>766,266</u>	<u>926,093</u>	<u>(159,827)</u>
Operating income(loss)	<u>(557,358)</u>	<u>(713,211)</u>	<u>155,853</u>
Non-operating revenue (expense):			
Gain on sale of fixed assets	100		100
Interest income	1,615	2,540	(925)
Other income	65,522	87,357	(21,835)
Operating grants	409,671	435,210	(25,539)
Other government grants	<u> </u>	<u>22,289</u>	<u>(22,289)</u>
Total nonoperating revenue (expense)	<u>476,908</u>	<u>547,396</u>	<u>(70,488)</u>
Change in net assets	<u><u>\$(80,450)</u></u>	<u><u>\$(165,815)</u></u>	<u><u>\$ 85,365</u></u>

FINANCIAL STATEMENTS

BOYNE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS
September 30, 2006
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ASSETS

Current Assets:

Cash	\$ 41,989
Accounts receivable-HUD	96,947
Accounts receivable-tenants	2,746
Allowance for doubtful accounts	(932)
Prepaid expenses	12,592
Inventories	<u>933</u>

Total Current Assets	<u>154,275</u>
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Capital Assets:

Land	793,268
Buildings	3,137,732
Equipment	<u>142,764</u>
	4,073,764
Less: accumulated depreciation	<u>(2,095,317)</u>

Net Capital Assets	<u>1,978,447</u>
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Total Assets	<u><u>\$ 2,132,722</u></u>
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See notes to financial statements

BOYNE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2006
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LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 11,793
Tenant security deposit liability	32,288
Accrued expenses	49,596
Deferred revenues	2,215
Current portion of long-term debt	10,703
Other current liabilities	<u>4,409</u>
Total Current Liabilities	<u>111,004</u>
Noncurrent Liabilities:	
Accrued compensated absences	29,667
Long-term debt	<u>168,346</u>
Total Noncurrent Liabilities	<u>198,013</u>
Total Liabilities	<u>309,017</u>
Net Assets:	
Invested in capital assets	1,799,398
Unrestricted net assets	<u>24,307</u>
Total Net Assets	<u>1,823,705</u>
Total Liabilities and Net Assets	<u>\$ 2,132,722</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS

Year Ended September 30, 2006
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OPERATING REVENUES:

Dwelling rent	\$ 208,908
Total operating revenues	<u>208,908</u>

OPERATING EXPENSES:

Administration	141,653
Tenant services	1,665
Utilities	53,616
Ordinary maintenance and operation	171,838
General expenses	51,661
Extraordinary maintenance	6,316
Casualty losses	103
Housing assistance payments	205,716
Depreciation	<u>133,698</u>
Total operating expenses	<u>766,266</u>

Operating income(loss)	<u>(557,358)</u>
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NONOPERATING REVENUES AND (EXPENSES):

Gain on sale of fixed assets	100
Investment interest income	1,615
Other income	65,522
Operating grants	<u>409,671</u>

Total nonoperating revenues(expenses)	<u>476,908</u>
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Change in net assets	(80,450)
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Prior period adjustments, equity transfers and correction of errors	(23,071)
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Net assets, beginning	<u>1,927,226</u>
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Net assets, ending	<u>\$ 1,823,705</u>
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See notes to financial statements

BOYNE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended September 30, 2006
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CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling rents	\$ 186,897
Cash payments to other suppliers of goods and services	(430,165)
Cash payments to employees for services and benefits	(185,275)
Cash payments for in lieu of property taxes	<u>(14,451)</u>
Net cash (used) by operating activities	<u>(442,994)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	9,223
Operating grants	312,724
Other revenue	<u>66,047</u>
Net cash provided by noncapital financing activities	<u>387,994</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Gain on sale of fixed assets	100
Principal paid on mortgage	<u>(11,460)</u>
Net cash (used) by capital and related financing activities	<u>(11,360)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	1,660
Proceeds from investments maturing	<u>56,472</u>
Net cash provided by investing activities	<u>58,132</u>

Net increase(decrease) in cash	(8,228)
Cash, beginning	<u>50,217</u>
Cash, ending	<u>\$ 41,989</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
NOTES TO FINANCIAL STATEMENTS
September 30, 2006
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Boyne City Housing Commission (the Housing Commission) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Housing Commission's accounting policies are described below.

The Reporting Entity

The Boyne City Housing Commission is a component unit of the City of Boyne City, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Boyne City on January 30, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide and service housing to meet the community's needs for affordable low-income housing. These financial statements include all of the resources and activities of the Boyne City Housing Commission over which the Commission exercises operational control or which have financial significance to the Commission. The Housing Commission has no component units.

BCHC Nonprofit Housing Corporation - The Housing Commission formed a non-profit housing corporation on September 12, 2000, the B.C.H.C. Non Profit Housing Corp to own .01% of the capital of the BCHC LDHA Limited Partnership. The B.C.H.C. Non Profit Housing Corp is the General Partner of the Partnership and the NDC Corporate Equity Fund III LP partnership is a limited partner and has a 99.99% share of capital. BCHC LDHA Limited Partnership has constructed low-income housing on property obtained from the Boyne City Housing Commission. The housing complex "Deer Meadows" is operated by the partnership and is managed by the Housing Commission. Financial statements of the BCHC LDHA Limited Partnership are available from the Executive Director of the Boyne City Housing Commission.

Grants and Other Intergovernmental Revenues

The Housing Commission has entered into contracts with the U.S. Department of Housing and Urban Development (HUD). Under Contract C-3096, the Housing Commission constructed, maintains and operates 79 units of subsidized housing in the City of Boyne City, Michigan. Under Contract C-8119, the Housing Commission manages a Housing Choice Voucher program of subsidies for 60 qualifying low-income residents for rental housing. The Housing Commission receives an

annual operating subsidy determined under a performance formula for units owned by the Housing Commission and under the Housing Choice Vouchers program the Housing Commission receives a HAP allocation in addition to administrative fees based on the number of households it assists.

Fund Financial Statements

The Housing Commission only has *business-type activities*, which rely to a significant extent on fees and charges for support. The fund financial statements include the Statement of Net Assets, Statement of Activities and the Statement of Cash Flows.

The Housing Commission is considered one single Enterprise Fund and does not have any governmental activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The Housing Commission's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting

Under the economic resources measurement focus, all assets and all liabilities (whether current or noncurrent) are included in the statement of net assets of the individual funds. Their reported net assets are segregated into invested capital assets and unrestricted net assets components. Operating statements present increases (revenues) and decreases (expenses) in net assets.

Under the accrual basis of accounting, all revenues are recorded when earned, regardless of when received, and all expenses are recorded when a liability is created, regardless of when paid.

In accordance with Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Boyne City Housing Commission has elected to apply only those Financial Accounting Standards Board Statements issued prior to November 30, 1989 to its proprietary funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Commission considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission is required under each of its HUD contracts to adopt an annual operating budget which must be approved by HUD. Budgetary data and comparison of actual and planned performance is reported directly to HUD based on specific program reporting requirements.

Receivables

All receivables are reported at their net value, reflecting where appropriate, by the estimated portion that is expected to be uncollectible. The Housing Commission estimates the uncollectible portion of tenant rents as a percentage of gross tenant rents using prior collection experience.

Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. Receivables and payables arising from these transactions are classified as "due from other funds" and "due to other funds" on the statement of net assets.

Inventory

Inventory is priced using the average cost method.

Fixed Asset Capitalization

Fixed assets with a cost to acquire or construct of \$600 or more are capitalized and depreciated over their estimated useful lives. Depreciation is provided on a straight-line basis using the following estimate of useful lives:

Buildings	40 years
Equipment and furnishings	5 - 10 years
Building improvements	10 - 15 years

Net Assets

The Housing Commission classifies its net assets as follows:

- a. Invested in capital assets net of related debt represents all fixed assets acquired by the Housing Commission (both pre-FY 2001 and post-FY 2001) reduced by accumulated depreciation and related capital projects debt issued to purchase those assets.
- b. Unrestricted net assets indicate that portion of net assets which is available for use in future periods.

Operating Revenues and Expenses

The Housing Commission includes in operating revenues resources that are derived or received from exchange transactions. Resources derived principally from non-exchange transactions are excluded from operating income. Operating expenses include the cost of providing services. Amounts expended for capital additions and amounts expended for retirement-of-debt are excluded from operating expenses. Depreciation expense is charged to invested in capital assets rather than unrestricted net assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of management estimates. The Housing Commission uses estimates of useful lives of its fixed assets and other estimates in preparing its financial statements. Actual results may differ from the Housing Commission's estimates.

Vacation and Sick Leave

The Housing Commission's staff are employees of the City of Boyne City which establishes personnel policies including accrual and use of vacation and sick leave. Accumulated unpaid vacation and sick leave are recorded as liabilities when incurred. Under the City of Boyne City benefit plan, unpaid vacation is payable upon termination and is recognized as a current liability. Unpaid sick leave is payable only at retirement, at a rate of 1 1/2% per year up to a maximum of 90 days after the employee has served 10 years or more.

The amount of accumulated benefits is recorded on an accrual basis.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan home rule city, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: DEPOSITS, INVESTMENTS AND CREDIT RISK

The Housing Commission maintains cash and investment accounts in the Low Rent Program, Housing Choice Voucher, Development, and Transitional Housing funds. Landlord checks are processed through the Housing Choice Voucher and Transitional Housing accounts. All other receipts and disbursements are processed through the Low Rent

Program accounts.

Deposits

At year-end, the carrying amount of the Housing Commission's deposits were \$41,819 and the bank balance was \$60,668 of which \$60,668 was covered by federal depository insurance. The Housing Commission also has \$150 in petty cash and \$20 in a change fund.

Investments

The Housing Commission did not have any investments as of September 30, 2006.

Interest Rate Risk - The Housing Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Housing Commission's investment policy approves the following securities and deposit accounts: U.S. Treasury certificates, notes and bonds, certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Housing Commission shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Housing Commission shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Housing Commission held in trust by the financial institution or bank. The Housing Commission may choose collateralization in the following form and percentages:

- | | | |
|-------------------------------------|---|----------|
| 1. U.S. Treasury Notes | - | 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - | 75% and |
| 3. Mortgage Backed Securities | - | 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the collateralization at a minimum once every quarter to the Housing Commission.

The Housing Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Housing Commission places no limit on the amount the Housing Commission may invest in any one issuer. All of the Housing Commission's investments are reported in the Enterprise Fund.

A reconciliation of cash as shown on the statement of net assets is as follows:

Cash on hand	\$ 170
Carrying amount of deposits	41,819
Investments	<u>-</u>
Total	<u>\$ 41,989</u>
Cash and investments:	
Enterprise activities	\$ 60,838
Enterprise activities - checks written in excess of deposits	<u>(18,849)</u>
Total	<u>\$ 41,989</u>

NOTE 3: RECEIVABLES AND PAYABLES

Tenant Accounts Receivable

Tenant accounts receivable are recorded at gross amount and reduced by the estimated amount uncollectible. At September 30, 2006, the receivables were \$2,746 with \$932 estimated as uncollectible. Bad debt expense was \$(573).

Inter-fund Receivables and Payables

Interfund receivables and payables are recorded as "due from other programs" and "due to other programs".

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Low Rent Program	207,351	Housing Choice Vouchers	
Development Program	3,321	Program	\$ 44,746
Transitional Housing	3,000	Development Program	64,560
		Transitional Housing	7,419
		Capital Fund Program	<u>96,947</u>
	<u>\$213,672</u>		<u>\$213,672</u>

The capital fund program transferred \$96,947 to the Low Rent Program during the fiscal year ended September 30, 2006.

Due from HUD

Due from HUD represents advanced funding that was less than the Housing Commission's actual expenses for the programs financed. Balances at September 30, 2006 were as follows:

Capital Fund Program	<u>\$96,947</u>
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Due to City of Boyne City

The City of Boyne City makes disbursements to the Housing Commission's staff for compensation and payments to vendors for employee benefits, worker's compensation insurance, vehicle insurance, telephone, and miscellaneous costs. On a periodic basis, the City bills the Housing Commission for actual compensation and vendor payments made on behalf of the Housing Commission. During the year ended September 30, 2006, the City paid compensation of \$152,934 and employee benefits of \$76,901. At September 30, 2006, the amounts due the City of Boyne City for these costs were:

Low Rent Program	<u>\$38,244</u>
------------------	-----------------

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	<u>Balance</u> <u>09/30/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>09/30/06</u>
Low Rent Program			
Land	\$ 547,988	\$	\$ 547,988
Buildings	3,095,562		3,095,562
Furniture, equip. & machinery - dwellings	13,130		13,130
Furniture, equip. & machinery - administration	<u>129,611</u>	<u>1,975</u>	<u>127,636</u>
	3,786,291	<u>\$ (1,975)</u>	3,784,316
Less accumulated depreciation	<u>(1,960,012)</u>	<u>\$(132,555)</u>	<u>\$(2,090,592)</u>
Total	<u>\$1,826,279</u>		<u>\$1,693,724</u>

	<u>Balance</u> <u>09/30/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>09/30/06</u>
Housing Choice Voucher Program				
Furniture, equip. and machinery- administration	\$ 1,998	\$	\$	\$ 1,998
	1,998	<u>\$</u>	<u>\$</u>	1,998
Less accumulated depreciation	<u>(1,998)</u>	<u>\$</u>		<u>(1,998)</u>
Total	<u>\$</u>			<u>\$</u>
Development Fund				
Land	<u>\$ 245,280</u>	<u>\$</u>	<u>\$</u>	<u>\$ 245,280</u>
Transitional Housing Fund				
Buildings	\$ 42,170	\$	\$	\$ 42,170
	42,170	<u>\$</u>	<u>\$</u>	42,170
Less accumulated depreciation	<u>(1,584)</u>	<u>\$ (1,143)</u>		<u>(2,727)</u>
Total	<u>\$ 40,586</u>			<u>\$ 39,443</u>
Combined Totals				<u>\$1,978,447</u>

The Development Fund has vacant land that is retained by the Housing Commission to meet future low-income housing and other needs consistent with its mission.

NOTE 5: SCHEDULE OF INVESTMENT IN CAPITAL ASSETS

Changes in the investment in capital assets in the enterprise fund type for the year ended September 30, 2006, consist of the following:

	<u>Invested in</u> <u>Capital Assets</u>
Balance, beginning	\$ 1,921,636
Investment in fixed assets, net of depreciation paid for from operations net of depreciation.	<u>(122,238)</u>
Balance, ending	<u>\$ 1,799,398</u>

NOTE 6: LONG-TERM DEBT

Transitional Housing Fund

The Housing Commission is reporting a loan with the Huntington National Bank with a balance of \$36,094 owing, a maturity date of May 14, 2009 and an interest rate of 6.5%. This is a loan of a non-profit corporation and secured by two houses of the Charlevoix-Emmet Housing Coalition this past fiscal year. Payments for principal and interest is \$350.87 per month.

Debt principal requirements for the ensuing five-year period are as follows:

2007	\$ 1,889
2008	2,011
2009	<u>32,194</u>
	<u>\$ 36,094</u>

Development Fund

The Housing Commission's Development Fund has two mortgage notes with local banks secured by vacant land. One note (Series A) has an original issue amount of \$96,000 at 8.5% with semi-annual interest payments and an annual principal payment of \$500. The loan is for a five year period, maturing October 10, 2017. The note balance at September 30, 2006 was \$32,308. The second note (Series B) was for \$144,000 at 6.375% with semi-annual interest payments and an annual principal payment of \$1,000. This note is a five-year note maturing October 10, 2017. The note balance at September 30, 2006 was \$110,647. Interest charges totaled \$6,788 for the year ended September 30, 2006. On October 10, 2002, the Housing Commission renewed these notes at variable interest rates with the Series A note at an effective rate of 5.875% and the Series B note at an effective rate of 4.125%. Annual principal payments remain at \$500 and \$1,000, respectively. The notes are renewable at five-year intervals with renegotiated rates of interest.

Debt principal requirements for the ensuing five-year period are as follows:

2007	\$ 1,500
2008	1,500
2009	1,500
2010	1,500
2011	1,500
Thereafter	<u>135,455</u>
	<u>\$ 142,955</u>

NOTE 7: SEGMENT INFORMATION

The Housing Commission is a single purpose Enterprise Fund which provides housing assistance and grant programs. Segment information for the year ended September 30, 2006, was as follows:

Condensed Statement of Net Assets

Current assets	\$ 154,275
Capital assets	<u>1,978,447</u>
Total assets	<u>\$ 2,132,722</u>
Current liabilities	\$ 111,004
Noncurrent liabilities	<u>198,013</u>
Total noncurrent liabilities	<u>309,017</u>
Net assets:	
Invested in capital assets	1,799,398
Unrestricted net assets	<u>24,307</u>
Total net assets	<u>1,823,705</u>
Total liabilities & net assets	<u>\$ 2,132,722</u>

**Condensed Statement of Revenues, Expenses
and Changes in Fund Net Assets**

Dwelling rents	\$ 208,908
Depreciation expense	(133,698)
Other operating expenses	<u>(632,568)</u>
Operating(loss)	(557,358)
Nonoperating revenues(expenses):	
Investment earnings	1,615
Other income	65,522
Operating grants	409,671
Gain on sale of fixed assets	<u>100</u>
Change in net assets	(80,450)
Prior period adjustments	(23,071)
Beginning net assets	<u>1,927,226</u>
Ending net assets	<u>\$1,823,705</u>

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ (442,994)
Noncapital financing activities	387,994
Capital and related financing activities	(11,360)
Investing activities	<u>58,132</u>
Net increase (decrease)	(8,228)
Beginning cash	<u>50,217</u>
Ending cash	<u>\$ 41,989</u>

NOTE 8: OTHER INFORMATION

A. Current Vulnerability Due to Certain Concentrations

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

B. Pension Plan

1. Defined Benefit Plan

The Boyne City Housing Commission staff are covered under a defined benefit plan with the City of Boyne City with the Michigan Municipal Employees Retirement System that provides for annual employer and employee contributions with complete vesting after 8 years of service. At December 31, 2005, the date of the last completed actuarial evaluation, the Housing Commission's actuarial accrued liability for retirement benefits was \$693,856 (employer and employee combined). Valuation assets available to meet this obligation were \$601,884. The unfunded accrued liabilities was \$91,972. The Housing Commission makes monthly contributions of \$1,348 (employer) at the rate of 2.18% (of unfunded accrued liability) and 5.70% (of normal cost) of payroll to cover the employer's cost for current benefits. The Housing Commission made total (employer and employee) retirement contributions of \$21,238 on covered wages of \$205,312 during the year ended September 30, 2006. There are seven (6) active employees and 1 retiree and beneficiary.

2. Deferred Compensation Plan

A voluntary deferred compensation program (through ICMA) is available to all full-time Housing Commission employees. Under this program employees direct their investments among several options. This program is referred to by the IRS as a "457" plan and is non-taxable until withdrawn from the fund.

As an incentive, the Housing Commission does pay some deferred compensation for employees in varying amounts on an annual basis. Both the Housing Commission and the employee must pay FICA on these amounts.

C. Risk Management and Litigation

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

D. Prior Period Adjustments, Equity Transfers and Correction of Errors

Low Rent Program

Void check payment \$ 147

Housing Choice Vouchers

Apply FYE 09/30/05 settlement to equity \$ (23,218)

NOTE 9: COMMITMENTS

Note 1 describes the Housing Commission's involvement with the BCHC LDHA Limited Partnership by the creation of the BCHC Nonprofit Housing Corporation. The Partnership was audited by other auditor's and the notes included the following:

Note 4 - Long-Term Debt

Long-term debt was \$828,909 (net of current portion of \$7,200) and \$835,579 (net of current portion of \$6,500) at December 31, 2005 and 2004, respectively. There are two mortgages of \$645,000 and \$210,000. The original mortgage balance of \$645,000 is with Citizens Bank, bearing interest at 8.5%. The mortgage is being amortized using a 30 year period with a maturity date of May 5, 2022. At that time, all outstanding principal and accrued interest is due. The \$210,000 mortgage is a deferred loan at an interest rate to be determined. No payments are due until completion of the first mortgage. Both mortgages are secured by substantially all assets of the partnership, with the deferred loan being subordinated. The deferred loan is from Boyne City Housing Commission, parent organization of the general partner.

SUPPLEMENTARY INFORMATION

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
September 30, 2006
=====

C-3096	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

ASSETS

Current assets:

Cash	\$ 33,257	\$
Accounts receivable-HUD		96,947
Accounts receivable-tenants	2,465	
Allowance for doubtful accounts	(932)	
Prepaid expenses	12,297	
Inventories	933	
Due from other programs	<u>207,351</u>	
Total current assets	<u>255,371</u>	<u>96,947</u>

Capital assets:

Land	547,988	
Buildings	3,095,562	
Equipment	<u>140,766</u>	
	3,784,316	
Less accumulated depreciation	<u>(2,090,592)</u>	
Net capital assets	<u>1,693,724</u>	

Total Assets	<u>\$1,949,095</u>	<u>\$ 96,947</u>
--------------	--------------------	------------------

Housing Choice Vouchers 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 2,589	\$ 779	\$ 5,364	\$ 41,989
			96,947
		281	2,746
			(932)
		295	12,592
			933
	3,321	3,000	213,672
<u>2,589</u>	<u>4,100</u>	<u>8,940</u>	<u>367,947</u>
	245,280		793,268
		42,170	3,137,732
<u>1,998</u>			<u>142,764</u>
1,998	245,280	42,170	4,073,764
(1,998)		(2,727)	(2,095,317)
	245,280	39,443	1,978,447
<u>\$ 2,589</u>	<u>\$ 249,380</u>	<u>\$ 48,383</u>	<u>\$ 2,346,394</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2006
=====

	C-3096 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 10,852	\$
Tenant security deposit liability	29,643	
Accrued expenses	45,288	
Deferred revenues	2,016	
Current portion of long-term debt		
Other current liabilities		
Due to other programs	<u> </u>	<u>96,947</u>
Total current liabilities	<u>87,799</u>	<u>96,947</u>
Noncurrent liabilities:		
Accrued compensated absences	28,279	
Long-term debt	<u> </u>	<u> </u>
Total noncurrent liabilities	<u>28,279</u>	<u> </u>
Total liabilities	<u>116,078</u>	<u>96,947</u>
Net assets:		
Invested in capital assets	1,693,724	
Unrestricted net assets	<u>139,293</u>	<u> </u>
Total net assets	<u>1,833,017</u>	<u> </u>
Total Liabilities and Net Assets	<u>\$1,949,095</u>	<u>\$ 96,947</u>

Housing Choice Vouchers 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 734	\$ 207	\$	\$ 11,793
3,618	341	2,645	32,288
		349	49,596
		199	2,215
	8,814	1,889	10,703
	1,066	3,343	4,409
<u>44,746</u>	<u>64,560</u>	<u>7,419</u>	<u>213,672</u>
<u>49,098</u>	<u>74,988</u>	<u>15,844</u>	<u>324,676</u>
1,388			29,667
<u>1,388</u>	<u>134,141</u>	<u>34,205</u>	<u>168,346</u>
<u>1,388</u>	<u>134,141</u>	<u>34,205</u>	<u>198,013</u>
<u>50,486</u>	<u>209,129</u>	<u>50,049</u>	<u>522,689</u>
(47,897)	102,325	3,349	1,799,398
<u>(47,897)</u>	<u>(62,074)</u>	<u>(5,015)</u>	<u>24,307</u>
<u>(47,897)</u>	<u>40,251</u>	<u>(1,666)</u>	<u>1,823,705</u>
<u>\$ 2,589</u>	<u>\$ 249,380</u>	<u>\$ 48,383</u>	<u>\$ 2,346,394</u>

BOYNE CITY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET ASSETS**
 Year Ended September 30, 2006
 =====

	C-3096 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ <u>196,876</u>	\$ _____
Total operating revenues	<u>196,876</u>	_____
OPERATING EXPENSES:		
Administration	101,071	
Tenant services	1,665	
Utilities	52,367	
Ordinary maintenance and operation	170,030	
General expenses	36,881	
Extraordinary maintenance	6,316	
Casualty losses	103	
Housing assistance payments		
Depreciation	<u>132,555</u>	_____
Total operating expenses	<u>500,988</u>	_____
Operating income(loss)	<u>(304,112)</u>	_____
NONOPERATING REVENUES AND (EXPENSES):		
Gain on sale of fixed assets	100	
Investment interest income	1,254	
Other income	40,791	
Operating grants	97,620	96,947
Operating transfers in (out)	<u>96,947</u>	<u>(96,947)</u>
Total nonoperating revenues (expenses)	<u>236,712</u>	_____
Change in net assets	<u>(67,400)</u>	
Prior period adjustments, equity transfers and correction of errors	147	
Net assets, beginning	<u>1,900,270</u>	_____
Net assets, ending	<u>\$ 1,833,017</u>	<u>\$ _____</u>

Housing Choice Vouchers <u>14.871</u>	Development Fund	Transitional Housing Fund	Totals
\$ _____	\$ _____	\$ <u>12,032</u>	\$ <u>208,908</u>
_____	_____	<u>12,032</u>	<u>208,908</u>
28,071	11,443	1,068	141,653
			1,665
		1,249	53,616
		1,808	171,838
	6,788	7,992	51,661
			6,316
			103
205,716			205,716
_____	_____	<u>1,143</u>	<u>133,698</u>
<u>233,787</u>	<u>18,231</u>	<u>13,260</u>	<u>766,266</u>
<u>(233,787)</u>	<u>(18,231)</u>	<u>(1,228)</u>	<u>(557,358)</u>
			100
273	55	33	1,615
	24,651	80	65,522
215,104			409,671
_____	_____	_____	_____
<u>215,377</u>	<u>24,706</u>	<u>113</u>	<u>476,908</u>
(18,410)	6,475	(1,115)	(80,450)
(23,218)			(23,071)
<u>(6,269)</u>	<u>33,776</u>	<u>(551)</u>	<u>1,927,226</u>
<u>\$ (47,897)</u>	<u>\$ 40,251</u>	<u>\$ (1,666)</u>	<u>\$ 1,823,705</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
 Year Ended September 30, 2006
 =====

	Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling rents	\$ 175,156	
Cash payments to other suppliers of goods and services	(199,181)	
Cash payments to employees for services and benefits	(148,261)	
Cash payments for in lieu of property taxes	(14,451)	
Net cash (used) by operating activities	<u>(186,737)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Tenant security deposits	8,282	
Due to/from other funds	(110,246)	96,947
Operating grants	97,620	
Operating transfers in (out)	96,947	(96,947)
Other revenue	<u>41,316</u>	
Net cash provided by noncapital financing activities	<u>133,919</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Gain on sale of fixed assets	100	
Principal paid on mortgage		
Payments for capital acquisitions		
Net cash provided(used) by capital and related financing activities	<u>100</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	1,299	
Proceeds from investments maturing	<u>55,299</u>	
Net cash provided by investing activities	<u>56,598</u>	
Net increase (decrease) in cash	3,880	
Cash, beginning	<u>29,377</u>	
Cash, ending	<u>\$ 33,257</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Development Fund	Transitional Housing Fund	Totals
\$	\$	\$ 11,741	\$ 186,897
(211,815)	(8,386)	(10,783)	(430,165)
(21,708)	(14,744)	(562)	(185,275)
			(14,451)
<u>(233,523)</u>	<u>(23,130)</u>	<u>396</u>	<u>(442,994)</u>
9,431	2,770	941	9,223
215,104		1,098	312,724
	<u>24,651</u>	<u>80</u>	<u>66,047</u>
<u>224,535</u>	<u>27,421</u>	<u>2,119</u>	<u>387,994</u>
	(9,692)	(1,768)	100 (11,460)
	<u>(9,692)</u>	<u>(1,768)</u>	<u>(11,360)</u>
273	55	33	1,660
<u>1,173</u>			<u>56,472</u>
<u>1,446</u>	<u>55</u>	<u>33</u>	<u>58,132</u>
(7,542)	(5,346)	780	(8,228)
<u>10,131</u>	<u>6,125</u>	<u>4,584</u>	<u>50,217</u>
<u>\$ 2,589</u>	<u>\$ 779</u>	<u>\$ 5,364</u>	<u>\$ 41,989</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
 Year Ended September 30, 2006
 =====

C-3096	Capital
Low Rent	Fund
Program	Program
<u>14.850</u>	<u>14.872</u>

**SCHEDULE RECONCILING OPERATING INCOME
 TO NET CASH FLOW FROM OPERATING
 ACTIVITIES:**

Operating income(loss)	\$ (304,112)	\$
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	132,555	
Bad debts	(181)	
Adjustments	147	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	(905)	
Prepaid expenses	5,226	
Inventory	54	
Increase (decrease) in liabilities:		
Accounts payable-trade	2,595	
Accrued wage/payroll taxes payable	16,696	
Accrued compensated absences	(17,997)	
Accrued interest payable		
Current liabilities		
Noncurrent liabilities		
Deferred revenues	<u>(20,815)</u>	<u> </u>
Net cash (used) by operating activities	<u>\$ (186,737)</u>	<u>\$ </u>

Housing Choice Vouchers 14.871	Development Fund	Transitional Housing Fund	Totals
\$ (233,787)	\$ (18,231)	\$ (1,228)	\$ (557,358)
		1,143	133,698
			(181)
			147
		(281)	(1,186)
474		(14)	5,686
			54
203	92		2,890
961		209	17,866
(212)	(6,053)	36	(24,226)
	(4)	(5)	(9)
	1,066	546	1,612
(1,162)			(1,162)
		(10)	(20,825)
<u>\$ (233,523)</u>	<u>\$ (23,130)</u>	<u>\$ 396</u>	<u>\$ (442,994)</u>

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended September 30, 2006
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850	\$ 97,620
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	96,947
	<u>Low Income Public Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	<u>215,104</u>
	Total		<u>\$ 409,671</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BOYNE CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended September 30, 2006

=====

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 33,257	\$
100	Total cash	<u>33,257</u>	
	Receivables:		
122	A/R-HUD other projects		96,947
126	A/R-tenants-dwelling rents	2,465	
126.1	Allowance for doubtful accounts - dwelling rents	<u>(932)</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>1,533</u>	<u>96,947</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	12,297	
143	Inventories	933	
144	Interprogram due from	<u>207,351</u>	
	Total other current assets	<u>220,581</u>	
150	Total current assets	<u>255,371</u>	<u>96,947</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	547,988	
162	Buildings	3,095,562	
163	Furn, equip & mach-dwellings	13,130	
164	Furn, equip & mach-admin.	127,636	
166	Accumulated depreciation	<u>(2,090,592)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>1,693,724</u>	
180	Total noncurrent assets	<u>1,693,724</u>	
190	Total Assets	<u>\$ 1,949,095</u>	<u>\$ 96,947</u>

<u>Housing Choice Vouchers 14.871</u>	<u>Development Fund</u>	<u>Transitional Housing Fund</u>	<u>Totals</u>
\$ 2,589	\$ 779	\$ 5,364	\$ 41,989
<u>2,589</u>	<u>779</u>	<u>5,364</u>	<u>41,989</u>
		281	96,947
			2,746
			(932)
		<u>281</u>	<u>98,761</u>
		295	12,592
	<u>3,321</u>	<u>3,000</u>	933
			<u>213,672</u>
	<u>3,321</u>	<u>3,295</u>	<u>227,197</u>
<u>2,589</u>	<u>4,100</u>	<u>8,940</u>	<u>367,947</u>
	245,280		793,268
		42,170	3,137,732
1,998			13,130
(1,998)		(2,727)	129,634
			(2,095,317)
	<u>245,280</u>	<u>39,443</u>	<u>1,978,447</u>
	<u>245,280</u>	<u>39,443</u>	<u>1,978,447</u>
<u>\$ 2,589</u>	<u>\$ 249,380</u>	<u>\$ 48,383</u>	<u>\$ 2,346,394</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended September 30, 2006
=====

FDS Line Item No.	C-3096 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
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LIABILITIES AND EQUITY

Liabilities:

Current Liabilities:

312	Accounts payable<=90 days	\$ 10,852	\$
321	Accrued wages/payroll taxes payable	38,244	
322	Accrued compensated absences	7,044	
325	Accrued interest payable		
341	Tenant security deposits	29,643	
342	Deferred revenues	2,016	
343	Current portion of long-term debt -capital projects		
345	Other current liabilities		
347	Interprogram due to	<u> </u>	<u>96,947</u>
310	Total current liabilities	<u>87,799</u>	<u>96,947</u>

Noncurrent Liabilities:

351	Long-term debt-capital projects		
354	Accrued compensated absences	<u>28,279</u>	
	Total noncurrent liabilities	<u>28,279</u>	
300	Total liabilities	<u>116,078</u>	<u>96,947</u>

Equity:

508.1	Invested in capital assets, net of related debt	1,693,724	
512.1	Unrestricted net assets	<u>139,293</u>	
513	Total equity/net assets	<u>1,833,017</u>	
600	Total Liabilities and Equity/Net Assets	<u>\$ 1,949,095</u>	<u>\$ 96,947</u>

Housing Choice Vouchers <u>14.871</u>	Development Fund <u> </u>	Transitional Housing Fund <u> </u>	<u>Totals</u>
\$ 734	\$ 207	\$	\$ 11,793
2,840		209	41,293
778		36	7,858
	341	104	445
		2,645	32,288
		199	2,215
	8,814	1,889	10,703
	1,066	3,343	4,409
<u>44,746</u>	<u>64,560</u>	<u>7,419</u>	<u>213,672</u>
<u>49,098</u>	<u>74,988</u>	<u>15,844</u>	<u>324,676</u>
	134,141	34,205	168,346
<u>1,388</u>	<u> </u>	<u> </u>	<u>29,667</u>
<u>1,388</u>	<u>134,141</u>	<u>34,205</u>	<u>198,013</u>
<u>50,486</u>	<u>209,129</u>	<u>50,049</u>	<u>522,689</u>
	102,325	3,349	1,799,398
<u>(47,897)</u>	<u>(62,074)</u>	<u>(5,015)</u>	<u>24,307</u>
<u>(47,897)</u>	<u>40,251</u>	<u>(1,666)</u>	<u>1,823,705</u>
<u>\$ 2,589</u>	<u>\$ 249,380</u>	<u>\$ 48,383</u>	<u>\$ 2,346,394</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended September 30, 2006
=====

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 196,876	\$
705	Total tenant revenue	196,876	
706	HUD PHA grants	97,620	96,947
711	Investment income-unrestricted	1,254	
715	Other revenue	40,791	
716	Gain/loss on sale of fixed assets	<u>100</u>	
700	Total revenue	<u>336,641</u>	<u>96,947</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	59,674	
912	Auditing fees	3,900	
914	Compensated absences	(7,507)	
915	Employee benefit contributions-adm.	25,749	
916	Other operating-administrative	19,255	
	Tenant services:		
924	Tenant services-other	1,665	
	Utilities:		
931	Water	12,414	
932	Electricity	11,903	
933	Gas	28,050	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	72,615	
942	Ordinary maint & oper-mat'ls & other	21,492	
943	Ordinary maint & oper-contract costs	36,081	
945	Employee benefit contributions-ordinary maintenance	39,842	
	General expenses:		
961	Insurance premiums	23,003	
962	Other general expenses		
963	Payments in lieu of taxes	14,451	
964	Bad debt-tenant rents	(573)	
967	Interest expense		
969	Total operating expenses	<u>362,014</u>	
970	Excess operating revenue over operating expenses	<u>(25,373)</u>	<u>96,947</u>

Housing Choice Vouchers 14.871	Development Fund	Transitional Housing Fund	Totals
\$	\$	\$ 12,032	\$ 208,908
		12,032	208,908
215,104			409,671
273	55	33	1,615
	24,651	80	65,522
			100
<u>215,377</u>	<u>24,706</u>	<u>12,145</u>	<u>685,816</u>
14,272	5,820	553	80,319
500	500	100	5,000
(212)	(361)	36	(8,044)
8,185	2,871	254	37,059
5,326	2,613	125	27,319
			1,665
		113	12,527
		501	12,404
		635	28,685
			72,615
		569	22,061
		1,239	37,320
			39,842
		774	23,777
		4,781	4,781
			14,451
			(573)
	6,788	2,437	9,225
<u>28,071</u>	<u>18,231</u>	<u>12,117</u>	<u>420,433</u>
<u>187,306</u>	<u>6,475</u>	<u>28</u>	<u>265,383</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2006
 =====

FDS Line Item No.		C-3096 Low Rent Program <u>14.850</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	6,316	
972	Casualty losses-noncapitalized	103	
973	Housing assistance payments		
974	Depreciation expense	<u>132,555</u>	<u> </u>
	Total other expenses	<u>138,974</u>	<u> </u>
900	Total expenses	<u>500,988</u>	<u> </u>
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	(164,347)	96,947
	Other Financing Sources(Uses):		
1001	Operating transfers in (out)	<u>96,947</u>	<u>(96,947)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	(67,400)	
1103	Beginning Equity	1,900,270	
1104	Prior period adjustments, equity transfers and correction of errors	<u>147</u>	<u> </u>
	Ending Equity	<u>\$ 1,833,017</u>	<u>\$ </u>

Housing Choice Vouchers <u>14.871</u>	Development Fund <u> </u>	Transitional Housing Fund <u> </u>	<u>Totals</u>
			6,316
			103
205,716			205,716
<u> </u>	<u> </u>	<u>1,143</u>	<u>133,698</u>
205,716		1,143	345,833
<u>233,787</u>	<u>18,231</u>	<u>13,260</u>	<u>766,266</u>
(18,410)	6,475	(1,115)	(80,450)
<u> </u>	<u> </u>	<u> </u>	<u> </u>
(18,410)	6,475	(1,115)	(80,450)
(6,269)	33,776	(551)	1,927,226
<u>(23,218)</u>	<u> </u>	<u> </u>	<u>(23,071)</u>
<u><u>\$ (47,897)</u></u>	<u><u>\$ 40,251</u></u>	<u><u>\$ (1,666)</u></u>	<u><u>\$1,823,705</u></u>

Barry E. Gaudette, CPA, P.C.

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Boyne City Housing Commission
Boyne City, Michigan

I have audited the financial statements of the business-type activities of the Boyne City Housing Commission, Michigan, (Housing Commission) as of and for the year ended September 30, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated March 30, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards
Boyne City Housing Commission
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. are

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated March 30, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Barry E. Sandell, CPA, PC

March 30, 2007

BOYNE CITY HOUSING COMMISSION

**INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS**

SEPTEMBER 30, 2006

BOYNE CITY HOUSING COMMISSION
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SEPTEMBER 30, 2006

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Board of Commissioners
Boyne City Housing Commission

I have audited the financial statements of the Boyne City Housing Commission ("Housing Commission") as of and for the year ended September 30, 2006, and have issued my report, thereon, dated March 30, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see page 6 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

Difficulties Encountered in Performing the Audit - The Executive Director was hired in September 2006, but she was very helpful and knowledgeable as well as the staff were very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

Barry E. Lindell, CPA, PC

March 30, 2007

Barry E. Gaudette, CPA, P.C.

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**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Boyne City Housing Commission

I have audited the financial statements of the Boyne City Housing Commission ("Housing Commission") as of and for the year ended September 30, 2006, and have issued my report, thereon, dated March 30, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

March 30, 2007

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS
September 30, 2006
=====

Tenant Files

Housing Choice Voucher Program

06-01 Year Ended September 30, 2006

Condition and Criteria: Documentation to determine **eligibility** is missing in the tenant files. It is difficult to determine if the tenants are eligible for the voucher without the proper documentation available to review.

Cause: The staff in charge of this program did not obtain all of the recommended documentation.

Population and Items Tested: We started with the 6th file and selected every 10th file after that to test from an Ad-hoc Tenant Report. We selected 5 files to test from a population of 49 tenant files to choose from.

We looked for the following documentation in the files:

	<u># of Exceptions</u>
a. Form HUD-50058	2
b. Privacy Act Notice	1
c. Proper Verification of Income	3
d. Proper Verification of Expenses	1
e. Proper Verification of Assets	3
f. Inspection Report	1
g. Lease	0
h. Application	0
i. Copy of Photo I.D.	5
j. Copy of Proof of Social Security Number	1
k. Copy of Birth Certificate	5
l. Annual Review	2
m. Worksheet for HUD-50058	2
n. Notice of Rent Adjustment	3
o. Criminal Background Check	4
p. Declaration of 214 Status	4
q. Lead Based Paint Disclosure	4
r. Request for Tenancy Approval	2
s. Voucher	0
t. HAP Contract	1
u. HAP Tenancy Addendum	5
v. Rent Reasonableness Test	5
w. Inspection-Life Threatening corrections made <24 hours	1

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
 September 30, 2006
 =====

Tenant Files (Continued)

Housing Choice Voucher Program

06-01 Year Ended September 30, 2006 (continued)

x. Inspection-corrections made <30 days or by granted extension	1
y. Proper action taken if w or x violated	1
z. Family Composition Review	<u>2</u>
	<u>59</u>

Out of a possible 130, there were 59 exceptions from this test. This represents a 45.38% exception rate.

Auditor's Recommendation: It is recommended that the Housing Commission immediately begin correcting the lack of documentation listed above for all tenant files. We understand that the Housing Commission has corrected the above exceptions.

The following is a short summary of exceptions:

<u>File</u>	<u>Client #</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	55	x		x		x			x	
2	25	x		x					x	
3	64						x		x	
4	1	x		x	x				x	
5	7	<u>x</u>	<u> </u>	<u>x</u>	<u>x</u>	<u> </u>	<u> </u>	<u> </u>	<u>x</u>	<u> </u>
Number of Hits		<u>4</u>	<u>0</u>	<u>4</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>5</u>	<u>0</u>
% of Hits		<u>80%</u>	<u>0%</u>	<u>80%</u>	<u>40%</u>	<u>20%</u>	<u>20%</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>

Legend

1. No proper evidence that a criminal background check was conducted, or it was in the tenant file.
2. Check for eviction from federal housing not conducted.
3. Proper income/expense/asset verification not conducted, or incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice not in file or it was not properly completed for the fiscal year reviewed.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-01 Year Ended September 30, 2006 (continued)

Legend

6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the file.
8. The Housing Commission could not locate missing documents, or they were incorrect or incomplete.
9. The tenant was not eligible to participate in the program.

Housing Choice Voucher Program

06-02 Year Ended September 30, 2006

Condition and Criteria: During testing of the tenant files, it was discovered that there was not correct and/or **proper verifications of income, expenses, and assets.**

Effect: Tenants may have been charged the wrong rents.

Cause: The staff in charge of this program did not obtain the proper verifications of income, expenses, and assets.

Population and Items Tested: Of the 5 files tested out of a population of 49, only 1 had all of the correct and proper verifications. This represents an exception rate of 80%.

Auditor's Recommendation: It is recommended that correct and proper income, expense, and asset verifications be obtained for all tenants. Whenever, possible, these should be independent, third party written verifications.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-03 Year Ended September 30, 2006

Condition and Criteria: Required **annual reviews** were not performed.

Effect: Updated tenant information is not being used to determine proper rent.

Cause: The staff in charge of this program did not perform all of the required annual reviews in the files tested.

Population and Items Tested: Out of 49 tenant files, 5 were tested and of these 2 did not have proper evidence that an annual review was done for the fiscal year audited.

Auditor's Recommendation: It is recommended that the Housing Commission take care to insure that annual reviews are done each year on a timely basis.

Housing Choice Voucher Program

06-04 Year Ended September 30, 2006

Condition and Criteria: There is not evidence in the files that a **criminal background check** was performed, or the criminal background check was in the file.

Effect: Ineligible tenants may be in the program.

Cause: The staff in charge of this program either did not do criminal background checks for the tenants, did not provide evidence in the file that they were done, or the criminal background check was in the file.

Population and Items Tested: 5 tenant files out of a population of 49 were tested. Of the 5 files tested, 4 did not meet the above criteria. This represents an exception rate of 80%.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-04 Year Ended September 30, 2006 (continued)

Auditor's Recommendation: It is recommended that a criminal background check be performed on all applicants before they are admitted to the program. A new form or additional entries on current forms could be used to document the files. The criminal background check itself may not be kept in the file unless an appeal or hearing is still pending for that tenant. Depending on criminal activity, the Housing Commission may want to perform criminal background checks on all existing tenants to evict tenants who may cause problems or increase costs to the Housing Commission in the future.

Housing Choice Voucher Program

06-05 Year Ended September 30, 2006

Condition and Criteria: Required **Documentation** is not in the file, or it is not completed properly.

Effect: Tenants may not be aware of their rights, tenants may not be eligible for the program because they may not be citizens or who they claim to be, or their safety could be at risk.

Cause: The staff in charge of this program did not obtain the required documentation for the tenant files, or did not insure that it was completed properly.

Population and Items Tested: 5 tenant files out of a population of 49 tenant files were tested. All 5 of the files did not have the required documentation. This represents an exception rate of 100%.

Auditor's Recommendation: It is recommended that the Housing Commission obtain properly completed required documentation for all of the tenant files where ever possible. In addition, it is a recommendation that independent third party verification of landlord property ownership be obtained to guard against fraud. This is not a requirement, but only a recommendation.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-06 Year Ended September 30, 2006

Condition and Criteria: Required **Rent Reasonableness Tests** were not performed.

Effect: The total rent the tenant and the Housing Commission pays may not be reasonable when compared to similar unassisted units.

Cause: The staff in charge of this program did not perform the rent reasonable tests when required.

Population and Items Tested: Of the 5 tenant files tested, there were not any of the 5 that had a rent reasonableness test done. This represents an exception rate of 100%.

Auditor's Recommendation: It is recommended that the Housing Commission perform rent reasonable tests whenever they are required. They are required to be performed when the property is initially leased and anytime there is an increase in rent.

Housing Choice Voucher Program

06-07 Year Ended September 30, 2006

Condition and Criteria: **Quality Control Inspections** were not conducted or were not conducted correctly.

Effect: Original inspections may have been done incorrectly and the tenants may be living in substandard units.

Cause: The staff did not conduct quality control reinspections, or they were not done properly, or they were not sampled correctly.

Auditor's Recommendation: The Housing Commission should perform Quality Control reinspections in proper numbers as soon as possible after the initial inspection.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Housing Choice Voucher Program

06-08 Year Ended September 30, 2006

Condition and Criteria: There was not any documentation available to indicate that an up-to-date **utility allowance schedule** was used.

Effect: If there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was revised, then the allowance the Housing Commission has been using would be incorrect.

Cause: the staff in charge of this program failed to update the utility allowance schedule.

Population and Items Tested: There was not any evidence that the Housing Commission has reviewed utility rate data within the last 12 months and has adjusted its utility allowance schedule if there has been a rate change of 10 percent or more in a utility category or fuel type since the last time the utility allowance schedule was revised.

Auditor's Recommendation: It is recommended that the Housing Commission prepare an up-to-date utility allowance schedule as soon as possible.

Public Housing Program

06-09 Year Ended September 30, 2006

Condition and Criteria: Documentation to determine **eligibility** is missing in the tenant files.

Effect: It is difficult to determine if the tenants are eligible for the program without the proper documentation available to review.

Cause: The staff in charge of this program did not obtain all of the documentation recommended for the tenant files.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Public Housing Program

06-09 Year Ended September 30, 2006 (continued)

Population and Items Tested: We selected the 8th tenant and every 13th tenant after that except for one which was too new so the next one was selected. The selections were made from an Ad-hoc Tenant Report for Public Housing that was supplied by the Housing Commission. We tested 6 tenant files from a population of 78 tenant files to choose from.

We looked for the following documentation in the files:

	<u># of Exceptions</u>
a. Form HUD-50058	0
b. Privacy Act Notice	0
c. Proper Verification of Income	0
d. Proper Verification of Expenses	0
e. Proper Verification of Assets	0
f. Inspection Report	6
g. Lease	1
h. Application	0
i. Copy of Photo I.D.	2
j. Copy of Social Security Number Verification	3
k. Copy of Birth Certificate	5
l. Annual Review	0
m. Worksheet for HUD-50058	0
n. Notice of Rent Adjustment	0
o. Criminal Background Check	6
p. Declaration of 214 Status	1
q. Family Composition Review	<u>0</u>

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Out of a possible 102, there were 24 exceptions from this test. This represents an exception rate of 23.53%.

Auditor's Recommendation: It is recommendation that the Housing Commission begin to obtain the recommended documentation listed above for all tenant files. Care should be taken to insure that all forms are completed in their entirety and correctly.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
 September 30, 2006
 =====

Tenant Files (Continued)

Public Housing Program

06-09 Year Ended September 30, 2006 (continued)

The following is a short summary of exceptions:

<u>File</u>	<u>Client #</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	P-001-00005-06	x					x		x	
2	G	x								
3	H	x					x		x	
4	P-002-0058-10	x					x		x	
5	P-001-0010-11	x							x	
6	P-001-0036-15	x								
Number of Hits		<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>4</u>	<u>0</u>
% of Hits		<u>100%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>50%</u>	<u>0%</u>	<u>67%</u>	<u>0%</u>

Legend

1. No proper evidence that a criminal background check was conducted, or it was in the tenant file.
2. Check for eviction from public housing not conducted.
3. Proper income/expense/asset verification not conducted or incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required with required documentation.
7. The Housing Commission could not locate the file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

06-10 Year Ended September 30, 2006

Condition and Criteria: There was not evidence in the tenant files, or available outside of the tenant files to show that all of the tenant units were **inspected**.

Effect: Tenants may be in substandard units.

Cause: The Housing Commission staff did not retain inspection records from the fiscal year.

Population and Items Tested: Out of 82 tenants, 6 were tested and of these 6 did not have inspection records retained and available to review. This represents an exception rate of 100%.

Auditor's Recommendation: It is believed based on the interview with the staff in charge of this program that inspections were probably done. It was stated that the maintenance area destroyed the inspection reports for the fiscal year audited. It is recommended that all units be inspected in the future, deficiencies corrected, and evidence of the inspections be kept in the appropriate tenant file and be available for review.

Public Housing Program

06-11 Year Ended September 30, 2006

Condition and Criteria: Required **documentation** is missing from the files, or it is not properly completed.

Effect: It is difficult to determine if the tenants are eligible for the program without the proper documentation available to review.

Cause: The staff in charge of this program did not obtain the required documentation for all of the tenant files tested.

Population and Items Tested: 6 tenant files from a population of approximately 78 files were tested.

Auditor's Recommendation: Copies of Social Security Cards and properly completed Declaration of 214 Status forms must be obtained for all tenants. It is recommended that copies of birth certificates and copies of Photo I.D.'s be obtained as well.

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Tenant Files (Continued)

Public Housing Program

06-12 Year Ended September 30, 2006

Condition and Criteria: The **criminal background check** was in the tenant files.

Effect: The tenant's right to privacy is violated.

Cause: The staff in charge of this program did not realize that the criminal background check should not be in the tenant files until recently.

Population and Items Tested: 6 files out of a population of approximately 78 files were tested. Out of the 6 files tested, 6 files contained the criminal background check. This represents an exception rate of 100%.

Auditor's Recommendation: It is recommended that staff continue the process of removing and shredding the criminal background checks from the tenant files. The files should document that a criminal background check was done, on what date, and if they were eligible for the Housing Program. A new form or additional entries on current forms should be used to document the files.

Invoice Approval By The Board

06-13 For The Year Ended September 30, 2006

The State of Michigan requires that the Board approve all invoices prior to payment. All disbursements must be approved by the legislative body prior to disbursement unless addressed otherwise in the Charter. The legislative body may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the legislative body for approval.

The Housing Commission does not approve invoices before payment, but does the following steps: A staff member(noncheck signer), prepares checks using checkwriting software, these checks and invoices are then given to the Executive Director who reviews and signs the checks, then once a week a commissioner comes in a reviews the invoices and signs the checks, before they are mailed

BOYNE CITY HOUSING COMMISSION
MANAGEMENT ADVISORY COMMENTS (CONTINUED)
September 30, 2006
=====

Invoice Approval By The Board (Continued)

06-13 For Year Ended September 30, 2006 (continued)

by the staff. The Board once a month reviews a listing of checks paid since the last board meeting. The Board has the opportunity to question a payment and review the invoice/documentation at the Board meeting. The Housing Commission's check writing and approval process appears adequate to us.

BOYNE CITY HOUSING COMMISSION

ADJUSTING JOURNAL ENTRIES

September 30, 2006

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<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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There were no adjusting journal entries necessary.